



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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COMMISSION SANCTIONS INDIVIDUALS AND COMPANIES FOR SELLING UNREGISTERED SECURITIES

PHOENIX – The Arizona Corporation Commission entered into four consent orders with individuals and companies who agreed to return a total of \$1.19 million to investors and to pay \$50,000 in penalties for selling unregistered securities in the form of promissory notes, common stock and pay telephone investment contracts.

Gary G. Johnson, et al.

The Commission entered into a consent order with 50-year-old Gary G. Johnson of Peoria and two Phoenix-based firms, Johnson Estate Planning Service, Inc., and Johnson Estate Planning Service, LLP, for selling unregistered securities in the form of promissory notes. Johnson, an estate planner and licensed insurance agent, agreed to pay a \$12,500 penalty and return \$164,000 in commissions that he earned from selling long-term promissory notes issued by CapitalPro Asset Management Fund, a California-based company dealing in equipment leasing.

As outlined in the order, Johnson agreed to act as a sales agent for CapitalPro, only after he reviewed legal opinions from CapitalPro attorneys who repeatedly claimed that a securities license was not necessary to offer and sell CapitalPro promissory notes. These assurances were false, and Johnson's subsequent involvement in the sale of CapitalPro notes violated Arizona securities laws. The Commission emphasized that Johnson's license to sell insurance in no way permitted him to offer and sell securities in Arizona.

The Commission found that between July 1997 and August 1998, Johnson and his associates sold approximately \$3.5 million of CapitalPro promissory notes to at least 83 Arizona investors. While

serving as a CapitalPro sales agent, Johnson told prospective investors that the CapitalPro promissory notes were a “safe” investment and it would be prudent for investors to liquidate their current savings and retirement accounts in order to purchase the notes.

During these discussions, however, Johnson did not make investors aware of the many inherent risks of the CapitalPro notes. For instance, CapitalPro was a start-up company with no track record of any level of business success. As a result, investors were at risk of losing their entire principal investment, particularly if the company did not have sufficient collateral to meet its promissory note obligations. Johnson told investors that the CapitalPro notes were secured by a separate, adequately funded cash collateral account. In May 2001, interest payments made to investors stopped and shortly thereafter, CapitalPro notified investors that it had declared bankruptcy.

In finalizing appropriate penalties and restitution for Johnson and his companies, the Commission considered several moderating factors. For example, Johnson hired legal counsel following CapitalPro's bankruptcy to help recover investor funds. Despite repeated attempts to access the collateral account and other existing CapitalPro assets, Johnson was not able to secure any funds for investors. Another factor was that Johnson cooperated in all phases of the Securities Division's investigation.

International Global Positioning, Inc., et al.

The Commission entered into a consent order with two Texas residents, 33-year-old Michael J. Coker and 46-year-old John J. Madsen and International Global Positioning, Inc., a company formerly based in Phoenix. In the consent order, Coker and Madsen agreed to pay a total of \$25,000 in penalties and return over \$590,000, plus interest, to investors in connection with an unregistered stock offering of International Global Positioning.

International Global Positioning planned to market and distribute global positioning devices to be installed in automobiles. The devices were supposed to use cellular communications technology to provide information on a vehicle's location, speed and direction.

Around July 2001, International Global Positioning initiated a stock offering represented as a private placement under federal rule 506, Regulation D. International Global Positioning plan was to sell its stock to private investors and establish distributorships nationwide to market the device.

From about November 2001 through December 2002, Madsen and Coker sold shares of the International Global Positioning stock offering to at least 44 investors, most of whom were Arizona residents. The Commission found that Coker and Madsen, as principals of International Global Positioning, failed to disclose to investors Madsen's prior guilty plea to mail fraud as well as their personal and corporate financial problems.

Investors believed that when the "private placement" stock offering went public, they would have an opportunity to purchase International Global Positioning stock at a reduced price with the potential of selling it at one and one half times the original price. An investigation by the Commission's Securities Division revealed that International Global Positioning never became a public company and investors have not received a return on their investments.

Both Coker and Madsen consented not to apply for an Arizona securities registration at any time in the future. International Global Positioning is now located in Austin, Texas.

Gregory Russell Brown

The Commission entered into a consent order with 43-year-old Gregory Russell Brown of Phoenix for selling unregistered securities in the form of pay telephone investment contracts. Brown, a registered securities salesman and insurance agent from Phoenix, agreed to pay a \$7,500 penalty and return commissions of \$230,000, plus interest, that he earned from selling the investment contracts in ETS Payphones, Phoenix Telecom, and Alpha Telcom, Inc. As part of the agreement, the Commission revoked Brown's Arizona securities registration.

From May 2000 through April 2001, Brown sold over \$2.7 million in pay telephone contracts to at least 49 Arizona investors while he was employed as a registered securities dealer at Intersecurities, Inc., a Florida-based company. The ETS, Phoenix Telecom and Alpha Telcom contracts, however, were not registered investments and did not have an applicable exemption from registration in Arizona.

The Commission found that Intersecurities approved Brown's sales of the pay telephone sales as "outside business activity." The Commission also found that during the time when Brown sold the contracts, several jurisdictions had already taken action against Alpha Telcom and ETS Payphones for illegal

securities sales.

A Commission hearing involving Intersecurities, Inc., is scheduled for September 20, 2004 and will address the company's role in connection with Brown's pay telephone contract sales. Besides Brown, the Commission has recently entered into consent orders with seven other individuals who sold unregistered pay telephone investment contracts.

Wesley Karban Wyatt

The Commission entered into a consent order with 78-year-old Wesley Karban Wyatt, a former part-time resident of Arizona, and his company, The Financial Greenhouse, for selling unregistered pay telephone investment contracts. Wyatt was not registered to sell securities within or from Arizona and agreed to pay a \$5,000 penalty and return commissions of \$205,400, plus interest, that he earned from selling pay telephone investment contracts in Alpha Telecom, Inc., an Oregon corporation.

The general facts about this case involving the Alpha Telecom pay telephone contract sales can be found within six other Commission news releases, including Intersecurities, Inc., highlighted above. See the Commission's web site, www.cc.state.az.us, and click on News Releases.

Before investing, people should verify the registration of sellers and investment opportunities by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free outside the Phoenix metropolitan area and Arizona at 1-866-VERIFY-9. The Division's web site also has helpful information for investors at www.ccsd.cc.state.az.us.

The Commission's final orders against the named respondents in this release will be posted to the Securities Division web site under Enforcement/Orders as soon as they are signed by all of the Commissioners. To access the full text of the Commission's orders, please check the web site in a few days: <http://www.ccsd.cc.state.az.us/enforcement/enforce-orders.asp>.

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